

Audit, Pensions and Standards Committee

Supplementary Agenda

Wednesday 17 June 2015

7.00 pm

COMMITTEE ROOM 1 - HAMMERSMITH TOWN HALL

MEMBERSHIP

Administration:	Opposition	Co-optees
Councillor Iain Cassidy (Chair) Councillor Ben Coleman Councillor Adam Connell Councillor PJ Murphy Councillor Guy Vincent	Councillor Michael Adam Councillor Nicholas Botterill Councillor Mark Loveday Councillor Donald Johnson	

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[http://www.lbhf.gov.uk/Directory/Council and Democracy](http://www.lbhf.gov.uk/Directory/Council_and_Democracy)


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Date Issued: 17 June 2015

Audit, Pensions and Standards Committee Supplementary Agenda

17 June 2015

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	London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 17 JUNE 2015
PENSIONS SUB-COMMITTEE MEMBERSHIP	
Report of the Director for Finance	
Open Report	
Classification - For Decision Key Decision: No	
Wards Affected: All	
Accountable Executive Director: Hitesh Jolapara, Director for Finance	
Report Author: Ibrahim Ibrahim, Assistant Committee Coordinator	Contact Details: Tel: 020 8753 2075 E-mail: ibrahim.ibrahim@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. The Audit, Pensions and Standards Committee is required to approve the membership of the Pensions Sub-Committee for the 2015 – 2016 municipal year.
- 1.2. The membership of the 2014 – 2015 Pensions Sub-Committee consisted of Councillor Ian Cassidy (Chair), Councillor Michael Adam (Vice-Chair), Councillor PJ Murphy, Councillor Guy Vincent and Councillor Nicholas Botterill. It is recommended that the membership continue for the 2015 – 2016 municipal year.

2. RECOMMENDATIONS

- 2.1. The Committee is asked to approve the 2015 – 2016 municipal year membership of the Pensions Sub-Committee as follows:

Administration	Opposition
Chair, Councillor Iain Cassidy Councillor P J Murphy Councillor Guy Vincent	Councillor Michael Adam Councillor Nicholas Botterill

3. REASONS FOR DECISION

- 3.1. The Audit, Pensions and Standards Committee is required to approve the Pensions Sub-Committee membership for the 2015 – 2016 municipal year.
- 3.2. A supplementary agenda has been prepared to approve the membership of the Pensions Sub-Committee under the reason for urgency guidelines, as the next meeting of the Pensions Sub-Committee takes place on 24 June 2015.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Council established the Pensions Sub-Committee to better enable the Council discharge its responsibility for the management of the Pension Fund effectively.
- 4.2. The Pensions Sub-Committee will meet at least four times a year. The Chair of the Sub-Committee may convene additional meetings as necessary.
- 4.3. The 2015 – 2016 Pensions Sub-Committee will meet on the following dates:
 - 24 June 2015
 - 9 September 2015
 - 25 November 2015
 - 16 March 2015

5. LEGAL IMPLICATIONS

- 5.1. Not applicable.

6. FINANCIAL AND RESOURCES IMPLICATIONS

- 6.1. Not applicable.


LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None.		

Tri-Borough Children's Services Risk Log - TOP RISKS - RATING OF 12 and over - H&F Scrutiny 17th June 2015

Date		23-Apr-15		Type		Inherent risk / Initial risk rating			Residual risk February 2015			Residual risk April 2015			Risk Owner		Existing Controls	
Risk Number	Key Risks	Consequences	STRATEGIC/CHANGE (Portfolio, Programme, Project) or OPERATIONAL Risk (Business as usual)	PESTLE cc	Impact 1 - Insignificant 5 - Major	Likelihood 1 - Improbable 5 - Likely	Total	Impact 1 - Insignificant 5 - Major	Likelihood 1 - Improbable 5 - Likely	Total	Impact 1 - Insignificant 5 - Major	Likelihood 1 - Improbable 5 - Likely	Total	Risk Owner	Existing Controls			
Tri-borough Children's BAU and Overall Change Portfolio																		
BAU4, 6, 22,23 and 30	If serious harm comes to a child or young person to whom we have a duty of care for, then the Council and/or partner agencies could be seen to be at fault.	- Potential injury to a client. - Reputational harm.	Operational	Reputation	5	4	20	5	3	15	5	3	15	CC/MC/IH/SM	- Family Services Directors manage the risk within their departments and ensure controls are in place so that no serious harm comes to a child or young person. - Employees have enhanced DBS checks. Ongoing SRQA and LSCB activities to ensure quality assurance. - Review lessons learnt from cases and ensure appropriate local safeguarding training is given to staff.			
BAU9	If the Looked after Children numbers start to rise, then there will be an increasing demand for placements. Even without a rise in overall numbers, ongoing or even increased demand for high cost placements, particularly for adolescents, will put pressure on placements budget	- Financial overspend	Operational	Financial/Budgeting	4	4	16	4	3	12	4	3	12	CC/MC/SM	- The Assistant Director of Tri-borough LAC/ Care Leavers will drive forward work within the Tri-borough Service. - A LAC tracker in place to monitor numbers and need. - LAC numbers are monitored against national trend. - Launch of Focus on Practice.			
BAU1,BAU2 and BAU3	If staff morale is low, then this may impact on service delivery and people leaving. Specific areas: 1. If pay, terms and conditions are not comparable for staff from different boroughs completing equivalent roles, then this may have negative impact 2. If workforce anxiety about on-going changes to services, people may leave 3. If workforce is reduced, then this reduces capacity/capability to deliver change.	- Failure to meet the needs and expectations of our customers and politicians - Failure to meet the needs of the service	Operational	People	4	4	16	4	3	12	4	3	12	AC/CC/MC/AF/IH/DMC/SM/DR/RWT	- There is no single corporate solution however, there are opportunities to look at this at individual directorate/ service level. - On-going staff engagement and consultation should take place and suitable handover and knowledge sharing opportunities should take place before exit. - Workforce Strategy developed			
BAU20	If there is a failure to align public health priorities to support improved outcomes for children and their families then we may not be able to exploit the benefits of public health investment which may impact on delivering services.	- Failure to meet the needs and expectations of our customers and politicians	Strategic	Reputation	4	3	12	4	3	12	4	3	12	RWT	- Ensure regular engagement takes place between colleagues in health services and colleagues across the department.			
BAU21	The changing relationship with schools; we need to ensure effective financial standards and processes are in place in all schools.	- Failure to meet the needs of the school - Reputational harm	Operational	Financial/Budgeting	4	4	16	4	3	12	4	3	12	DMC	- Review and develop the Scheme for Financing Schools across the tri borough to incorporate the funding, procurement and legislative changes. - Review the findings of Audit reports to develop and target training at areas of concern and weaknesses in the operation of financial processes within schools.			
BAU18	Commissioning and Procurement approach - If we do not carry out processes properly (including ensure 'sovereignty' implications) then there is a risk of challenge. BAU but also in projects across the Children's Dept.	- Reputational harm - Financial	Operational	Political&Policy	4	4	16	4	4	16	4	3	12	RWT	- Ensure that we understand the complexity and timescales of the procurement process and that sufficient time is planned in to undertake the procurement process with robust governance. - Where required, inclusion of appropriate 'Sovereign' legal advice - Appropriate level of customer engagement			
Page 3	BAU33	If current improvements in the delivery of Passenger Transport and Travel care and support services are not sustained, then this will impact on service users and will cause reputational and financial damage to each council.	- Service failure – Children not transported safely - Failure to meet the needs and expectations of our customers and politicians. - Savings not realised	Operational	Customer/Client	5	5	25	5	3	15	5	3	15	RWT / RM	- Clear performance monitoring and contract management in place. - Robust remedial action taken when required. - Clear governance arrangements in place. - Report by exception to SLT and other governance boards when required. - Specific risk log to be implemented. - Specific implementation of service development and improvement plan.		
	Children's Projects																	
CwD12a/SEN1 2b	Negative impact on each authority if the changes required from the new Children & Families Act are not adequately delivered	- Failure to meet legislative requirements - Reputational harm	Strategic	Legislative/Regulatory	4	5	20	4	3	12	4	3	12	IH	Children's & Families Act Executive Board and programme governance in place. Board actively manages high level risks - EHC Plans now being delivered. Multi agency resource allocation panel in place to support and moderate decision making/ give oversight to high cost placements and joint commissioning. Working with parents via Parents Reference Group. - Full communications and workforce development plan being rolled out across all agencies. A clear programme and transition plan are in place. Key risk remains capacity to deliver assessments to the 20 week timescale.			
ICS35	If the delivery of a single ICS solution is not feasible or is significantly delayed then this will have a significant impact on several projects and services.	- Failure to meet the needs of service - Failure to deliver projects on time - No savings realised	Operational	Technological	4	4	16	4	4	16	4	3	12	RWT	- SLT have agreed a pathfinder approach for requirements capture, and will review feasibility for the other services on 22/4/15. - A representative from Corporate ISD will be joining the Project Board and working with the Project Team on the next phases of work. - The project is monitored through JSRB/Portfolio Board on a monthly basis.			
Capital 20	If Academy conversions processes are not completed on time, then there will be a negative impact on each authority	- Failure to deliver improvements and/or changes on time	Strategic	Economic/Financial	4	3	12	4	3	12	4	3	12	IH	- Monitoring report to each LA's Schools Capital Programme Board to highlight risks as necessary.			
2 Year Old Offer 133	2 year old offer - Fails in its statutory duty to provide sufficient places to meet local need, or to support target parents to take up places.	- Each borough could fail in its forthcoming statutory duty to provide sufficient places - Reputational harm	Strategic	Economic/Financial	4	3	12	4	3	12	4	3	12	RWT / MP	- Capital funding for further expansion is being focused on the schools sector. - Steering Group in place. - Three working groups who are overseeing workstreams			
Youth 166/ Children's Centres 167	LBHF Transformation proposals for the Young Peoples Service and Children's Centres - inability to reshape services to meet community expectations within available resources.	- Lack of buy in from stakeholders and partners - Reputational harm - Savings not realised	Change	Political&Policy	5	5	25	4	4	16	4	3	12	RWT/SM	- Communication and engagement plan in place. Consultation to take place. - Senior management oversight when project reported monthly by exception to FS Directors via Service Review Board and by exception to SLT. - Councillor oversight through Scrutiny Committee. - Engagement with Public Health and Clinical Commissioning Groups in co-design and joint commissioning.			
FoP 195-213	Focus on Practice Programme (overall) - programme fails to deliver the planned benefits including the reduction in LAC numbers and those on child protection plans.	- Prog does not deliver on its objectives, Reputational harm - Reduction in re-referrals, LAC numbers and those subject to CP plans not met	Strategic	Political&Policy	5	4	20	5	3	15	5	3	15	CC/MC/SM	- FoP Programme Board actively managing risks and monthly report by exception to Children's SLT via Portfolio Board. - FoP working group working across all aspects of the project. - Engaging members, service users, staff and other stakeholders. - Cost delivery and Benefits Realisation Plans being developed.			
SALT 285	Speech and Language Therapy Service - inability not to procure a commissioned service between the Local Authorities and CCGs by October 2016 (NEW)	- Reputational harm - Time delays - Financial risk as savings not	Strategic	Political&Policy	4	3	12			0	4	3	12	SB/AF/MM	- Second project group scheduled to take place in April 2015. - A provisional implementation timeline has been drafted and will be reviewed at project group meeting in April. - Vacant commissioner post has been filled.			
Comm Reorg 326	Commissioning reorganisation - If the commissioning directorate reorganisation does not complete either to time or to budget then the savings assigned to the directorate will not be achieved. (NEW)	- Failure to meet savings target	Change	Social	4	4	16			0	4	3	12	RWT	- Ensure that we understand the complexity and timescales of the HR processes and all necessary sign off. - Ensure all stakeholders briefed and engaged. - Ensure staff communication are in place.			

Agenda Item 19

	London Borough of Hammersmith & Fulham AUDIT PENSIONS AND STANDARDS COMMITTEE 17th JUNE 2015
FINANCIAL MANAGEMENT OF FULHAM PALACE TRUST	
Report of the Executive Director for Environment, Leisure and Resident's Services	
Open Report/ All Exempt/ Part Exempt Report (delete as appropriate) <i>If a report is either in whole or in part exempt, please state the reason why, having regard to the relevant statutory 'exemption' paragraph. Reports will be wholly exempt in only exceptional circumstances. Part exempt reports, these will be separated into the open and exempt part. Please seek advice from Governance and Scrutiny.</i>	
Classification - For Information Key Decision: No	
Wards Affected: Palace Riverside	
Accountable Executive Director: Lyn Carpenter, Executive Director for Environment, Leisure and Resident's Services	
Report Authors: Sue Harris – Director for Cleaner, Greener and Cultural Services Donna Pentelow – Head of Culture	Contact Details: Tel: 020 8753 4295 E-mail: sue.harris@lbhf.gov.uk Tel: 020 8753 2358 E-mail: donna.pentelow@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. A request has been received from Fulham Palace Trust (FPT) for the Council to fund a pension deficit relating to staff transferred from the Council to FPT by TUPE (Transfer of Undertakings (Protection of Employment) Regulations 2006) in 2011. In addition FPT has asked the Council to consider allocating section 106 funding to FPT. This report reviews the historic and current financial performance of FPT and considers the funding requests from FPT.

2. RECOMMENDATIONS:

- i. **To note the report and to make any recommendations to Cabinet on how to progress matters.**

- ii. **To make any recommendations to Cabinet on FPT financial monitoring and management to ensure robust arrangements are in place.**
- iii. **To consider any wider lessons and guidance which external charities and organisations can learn from, when taking on staff under TUPE transfer.**

3. REASONS FOR DECISION

- 3.1. A request has been received from Fulham Palace Trust for the Council to fund the FPT pension deficit relating to staff transferred from the Council to FPT by TUPE in 2011. The FPT has secured significant Heritage Lottery Fund funding and is seeking other funding in order to fully fund the next phase of their restoration programme, an urgent response is required from the Council so that the FPT can properly forecast their finances. Audit Committee is asked to consider this report and the financial context.

4. INTRODUCTION AND BACKGROUND

- 4.1. In April 2010, Cabinet took the decision to create an independent Fulham Palace via an arms-length charitable trust. FPT was established in April 2011 and a Grant Funding Agreement (GFA) was drawn up setting out the requirements of both the FPT and the Council. A summary forms Appendix A to this report.

5. FULHAM PALACE TRUST FINANCIAL RISKS AND ISSUES

- 5.1. As at March 2014, FPT has advised the Council that they have a pension deficit of up to £388k. The advice given by the council's shared services finance officers has been that the deficit recovery period is equivalent to the Council's – i.e. 22 years. As such, the deficit recovery amount to be met by FPT is currently estimated at £20k per annum, although this could change in the future.
- 5.2. FPT has subsequently expressed concern to the council about their ability to fund the pension liability for staff transferred by TUPE from the Council to the trust. The Trust has specifically requested additional financial assistance to cover this sum on the grounds that it may jeopardise future funding bids to outside bodies if such a liability is shown in the FPT audited accounts.
- 5.3. In response officers revisited the arrangements and confirmed to FPT that within the GFA, the trust took on responsibility for Palace Management and accepted staff transferred on TUPE terms from the Council on the commencement date of April 2011. It is explicit in Section 4 Obligations of the Trust of the GFA that: [4.1] The Trust will:

(n) accept staff transferred on TUPE terms from the Council;

- 5.4. Officers have advised FPT that the pension costs are an integral part of the Grant Funding Agreement and as the Admissions Agreement was signed off by FPT's Chairman, Tim Ingram, it remains FPT's responsibility. In the draft accounts for 2014/15 FPT has netted this £388k liability off its unrestricted funds, suggesting it is provided for.
- 5.5. In addition the FPT has asked the Council to consider whether a sum of £1m could be made available from section 106 sums secured from land developments as a contribution to the next phase of the palace's physical renovation and uplift. Officers and the leadership have responded to the FPT directly that sums currently secured are committed to other priorities.
- 5.6. This report seeks to advise Audit Committee on the financial context and the implications for the Council if any further financial assistance was to be awarded to FPT for the pension liability as this may amount to unlawful State aid.

6. COUNCIL PROVIDED FINANCIAL ASSISTANCE TO FPT

- 6.1. When provided as a direct service, the annual cost to the Council of running Fulham Palace was considerable at circa £500k. One of the main drivers for establishing a new arms-length charitable trust was to reduce the Council subsidy whilst maintaining an excellent prestigious facility and services to the public. As a registered charity, FPT has been able to take advantage of charitable discounts (such as an 80% discount on business rates) and can apply for charitable grants that would not otherwise be available to the Council.
- 6.2. The Council views Fulham Palace as an important cultural and heritage site within the borough, and in order to support it, has already made a number of loans and grants to FPT which are detailed as follows:

Year	Annual In-house cost (average)	Non-repayable payments to FPT	LBHF Saving	Repayable payments to FPT
2011/12	£500k	£148k	£352k	£50k
2012/13	£500k	£50k	£450k	£0k
2013/14	£500k	£368k	£132k	£250k
2014/15	£500k	£0	£500k	£0
4 Year Total	£2,000k	£566k	£1,434k	£300k

- 6.3. The non-repayable payments to FPT in the first 2 years were agreed contributions towards early year running costs whilst FPT was establishing a balanced budget (where expenditure was fully recovered through income).
- 6.4. The £368k payment in 2013/14 was a one off grant to allow FPT to repay a loan from Architectural Heritage Fund (AHF), taken out to refurbish the two lodges within the palace grounds so that they could be commercially

let and generate much needed income for FPT. The Council acted as guarantor for this loan due to the charitable status of FPT. It would have taken FPT five years to repay the loan from the new rental income meaning it would be six years before FPT could use this income to balance their annual budget (worth circa £80k per annum). In December 2012, the Council received a formal request for additional funds from FPT following their Finance Committee and the Trust Board meetings. As part of this request FPT requested a grant from the Council every year until the end of the grant funding agreement period (31 March 2016). £50k was requested for 2013/14. Instead of an annual grant, in April 2013 Cabinet agreed a one off grant of £368k to FPT for them to repay the AHF loan in full and therefore use the annual rental income from the lodges to balance their budget each year. Consequently no further Council contribution has been made since.

- 6.5. The Council has also made two repayable loans to FPT since its creation. In 2011/12, the Council agreed a £50k interest bearing cash flow loan to help the Trust manage its first year cash flow, allowing time for a cash balance to be built up. FPT repaid this loan at the rate of half of any year end surplus. The loan has now been repaid in full (including interest of £1.6k).
- 6.6. The grant funding agreement requires the Council to set aside up to £250k of its own funds to act as a reserve for the Trust in the case of a significant and unavoidable loss. In April 2013, the Council agreed to transfer this £250k to FPT for them to hold as a reserve, to be held in a separate bank account. This £250k is to be repaid to the Council once the Trust starts to make a surplus after contributing to their reserves. No payments have been received yet, given that year-end surpluses to date have been applied to the cash flow loan referred to previously.
- 6.7. £4.6m has been spent on an extensive capital project for the enhancement and restoration of Bishops Park and Fulham Palace grounds. The works included the installation of an education centre, high quality parks play equipment for a range of ages, an enhanced lake and beach area as well restoring a number of features (such as the decorative bridge) in and around the grounds. £3.6m of this was awarded by the Heritage Lottery Fund with the remainder coming from LBHF. Although there is not a direct funding agreement between the Council and FPT, these works provide investment in the grounds within and surrounding Fulham Palace and so will derive some benefits for FPT. The Council has already identified £764k of the required £1,036k funding through prior year carry forwards and is currently in discussions with FPT for an annual contribution towards the remaining gap (expected to be circa £150k over the five year period).
- 6.8. The Council made no financial contribution to FPT in 2014/15, but has provided for a replacement boiler in the 2015/16 planned maintenance programme. Officers have advised that in light of the severe current financial constraints faced by the Council, it is highly unlikely that any further contributions to FPT can be made in the short/medium term.

7. FULHAM PALACE TRUST FINANCIAL CONTROL AND GOVERNANCE

- 7.1. FPT also has a dedicated Finance trustee who, working to the Chairman, is responsible for the management of the trust's financial affairs. Monthly management accounts are produced and until last year, were reported to FPTs' monthly Finance Committee. Now that the finances of FPT are more established, the management accounts are reviewed at the quarterly Finance, Risk and Audit Committee. This committee comprises of a small number of trustees with diverse financial, commercial and charities experience. It is chaired by the Finance trustee and attended by a Council Finance officer (as an observer, usually the Head of Finance for ELRS). The presence of a council officer enables any issues to be promptly picked up and reported back to the Council for appropriate action.
- 7.2. There have been two Finance trustees since FPT was created who have both been qualified accountants with substantial financial expertise and experience which has been crucial in establishing the finances of the trust. FPT also employs an experienced book keeper who manages the day to day finances of the trust and prepares the management accounts and year end accounts. This dedicated finance support at both the operational and strategic level exceeds the level of resource that was provided when Fulham Palace was part of a larger Council department. The FPT finance team and trustees also have enhanced charities finance experience.
- 7.3. FPT's management accounts are also reported to the quarterly Board of Trustees meeting, which is also attended by a council officer (usually the Head of Culture), as well as the Council nominated trustees referred to above.
- 7.4. Officers advise that in light of the FPT financial expertise and management available, FPT should be able to understand its liabilities and plot its income generation projections through the development of a robust business plan and fundraising strategy. Officers have offered to assist FPT in the development of its plans and offer to residents. The board of trustees has recently been strengthened with the appointment of two Council-nominated trustees with strong marketing and commercial backgrounds.

8. FULHAM PALACE TRUST FINANCIAL PERFORMANCE

- 8.1. The year-end funds carried forward (surplus) for the FPT group since its creation are summarised below:

Year	Restricted Funds	Unrestricted Funds	Total
2011/12	£17,943	£10,416	£28,359
2012/13	£53,666	£50,536	£104,202
2013/14	£63,326	£30,758	£94,084

2014/15 (Draft)	£80,009	£80,022	£160,031
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8.2. This shows that for each year of operation, FPT has generated income that is in excess of total spend and so has been able to repay loans due to the Council as well as make a contribution to their own reserves. As at 31st March 2015 FPT is holding unrestricted reserves of £468k (£80k after allowing for the £388k pension deficit).

9. LEGAL AND RISK IMPLICATIONS

9.1. The financial arrangements between the council and FPT must comply with, amongst other things the State aid rules. Whilst aid for the preservation of culture and heritage is subject to an exemption from the general prohibition against granting State aid, it is conceivable that any assistance that the Council were to give FPT towards paying off the pension deficit would not fall within the exemption and therefore may amount to unlawful State aid. If it was unlawful State aid the FPT would have to repay it plus interest.

9.2. The reason for the State aid issue arising is that FPT is active within various markets, e.g. commercial lettings; conferences, events, weddings, etc, and that fact that the Admission Agreement was entered into on the basis that the pension fund was not fully funded.

9.3. Legal Implications were provided by Keith Simkins Head of Division Contracts and Employment 020 7361 2194

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. The financial implications of establishing FPT are set out in section 6. The cost of Fulham Palace to the Council has reduced significantly as a result of the new Trust arrangement. By being present (as an observer) at the quarterly Finance Risk and Audit Committee, the Council is able to monitor the financial performance of FPT.

10.2. Implications completed by: Kellie Gooch, Head of Finance – ELRS, telephone: 0208 753 2203.

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.			

Summary of Grant Funding Agreement

The key requirements of FPT are to:

- Submit annually to the Council a service plan that supports the Council's key priorities and is informed by all other relevant documents, plans and strategies and a detailed business plan.
- Maintain the Palace in accordance with the requirements of the sublease.
- Produce a publicly available annual report (see link to most recent one) <http://www.fulhampalace.org/about/trustees/>
- Submit audited accounts to the Council not later than six months after the end of FPT's financial year.
- Assist the Council in the restoration and management of Bishops Park in accordance with the strategic plans prepared as part of the Parks for People grant application for Fulham Palace and Bishops Park.
- Maintain contents insurance for the property of FPT including that transferred to it by the Council and maintain public liability insurance to cover the Palace and grounds (including cover for functions, events and volunteers).

The requirements for the Council were to:

- Transfer the Palace Management and Trust assets to the Trust on the Commencement Date ;
- Enter into the Palace Sub-Lease with the Trust and adhere to its terms;
- Monitor the Trust's compliance with the conditions contained in this Agreement in accordance with the terms of this Agreement;
- Arrange for Council staff to be transferred on TUPE terms to the Trust in accordance with the TUPE Agreement;
- In support of the Heritage Lottery Fund Grant terms, second a member of staff to the Trust in the role of Community Development Officer with a six month review and provide financial support to the HLF Bishops Park project
- Subject to agreement with the Trust, instruct with contractors to deliver major works associated with the Palace Site's phased restoration;
- Comply with the funding provisions in GFA;
 - remain responsible for the cost of capital works as defined by the Head-Lease save where those responsibilities are devolved to sub-tenants through the conditions of under-leases;
 - be responsible for paying the full cost of the replacement of boilers in the Palace Buildings;
 - reimburse the Trust for all input VAT charged to the Trust by their suppliers on goods and services in the first year that is not recoverable by the Trust from HMRC within 14 days of the Council receiving from the Trust satisfactory evidence of such irrecoverable input VAT;

- set aside from its own funds throughout the term of this Agreement reserves of up to two hundred and fifty thousand pounds (£250,000.00) to offset any circumstance during the term of this Agreement where the Trust encounters costs or suffers losses which the Council agrees:
could not reasonably have been foreseen or which were mainly caused by matters beyond the effective control of the Trust; and cannot be accommodated within the budget previously approved by the Council in the Service Plan for that Financial Year.